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U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING FEDERAL HOUSING COMMISSIONER

AUG 25 2000

Mr. Jeffrey Zeltzer
Executive Director
National Home Equity Mortgage Association
1301 Pennsylvania Avenue, N.W., Suite 500
Washington, D.C. 20004

Dear Mr. Zeltzer: *Jeffrey*

On behalf of Secretary Cuomo, I want to thank you for your letter of December 15, 1999, regarding your concerns over the efforts of Fannie Mae and Freddie Mac (the "GSEs") to expand their business activities into areas that appear to extend beyond their Congressionally mandated public missions. Your letter specifically mentioned two mortgage loan programs, the Alt 97 and the Flex 97, as well as a new Fannie Mae program for borrowers with past credit problems. Your letter also raised concerns about Fannie Mae's intention to expand into the home equity market and both GSEs' real estate disposition businesses.

Please be assured that the Department is fully aware of these activities and their possible new program implications. As you pointed out in your letter, the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA) reaffirmed the Secretary's authority to approve new programs initiated by Fannie Mae and Freddie Mac. The Department takes this authority seriously. At the same time, HUD must proceed cautiously and deliberately in exercising its new program approval authority so that we do not stifle innovation or limit the GSEs ability to introduce new mortgage products and initiatives that are consistent with their public mission.

While we exercise our new program approval authority prudently, the Department regularly identifies and investigates new activities of the GSEs. The Department reviews the GSEs activities to determine if they are significantly different from existing mortgage programs and, thus, subject to new program review and approval. Recently, the Department has requested extensive information from the GSEs on a number of their activities. This information is currently undergoing staff review and analysis to determine, among other things, the extent to which one or more of the activities may need to be submitted to the Department as a new program. If the Department determines that any of the activities under review should be submitted by one of the GSEs as a new program, the Department is required to approve the program unless it is not allowed by the GSE's charter, it is not in the public interest or it will significantly deteriorate the GSE's financial condition.

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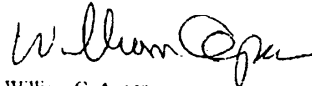
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Again, let me thank you for taking the time to express your concerns to the Department regarding Fannie Mae's and Freddie Mac's activities. The Department will continue to analyze new program issues in a manner consistent with our regulatory responsibilities as mandated by Congress.

Sincerely,



William C. Apgar
Assistant Secretary for Housing -
Federal Housing Commissioner